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Message Text

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43
ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 (ISO) W
---------- 007502
P R 301516Z JUL 75
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 2355
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMCONSUL MILAN
AMCONSUL NAPLES
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. BALANCE OF PAYMENTS FOR FIRST HALF JULY REGISTERED SURPLUS OF $156.8 MILLION. 1975 BALANCE OF PAYMENTS THROUGH FIRST SIX AND ONE-HALF MONTHS SHOWED $348.4 MILLION CUMULATIVE RECORDED DEFICIT. FOR SAME PERIOD ADJUSTED BALANCE OF PAYMENTS (EXCLUDING $420 MILLION IN EUROMARKET LOAN REPAYMENTS) SHOWED CUMULATIVE SURPLUS OF $71.6 MILLION. BOI MARKET
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INTERVENTION DURING FIRST HALF JULY RESULTED IN NET SALES OF

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FOREIGN EXCHANGE OF $133.0 MILLION. COMMERCIAL BANKS REDUCED THEIR NET FOREIGN DEBT BY $345.4 MILLION IN FIRST HALF OF MONTH. END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR FIRST HALF JULY RECORDED SURPLUS OF $156.8 MILLION. CHANGES IN BOI RESERVES DURING PERIOD WERE DECREASE IN CONVERTIBLE CURRENCY HOLDINGS OF $247.3 MILLION, DECREASE IN SHORT-TERM LIABILITIES BY $12.5 MILLION, DECREASE IN MEDIUM AND LONG TERM LIABILITIES BY $48.8 MILLION, AND DECREASE IN SDR HOLDINGS BY $2.6 MILLION. COMMERCIAL BANKS' NET FOREIGN DEBT FELL BY $345.4 MILLION. EXCHANGE MARKET INTERVENTION DURING FIRST HALF JULY WAS NEGATIVE $133 MILLION.

3. RECORDED BALANCE OF PAYMENTS CUMULATIVE DEFICIT FOR FIRST SIX AND ONE-HALF MONTHS OF 1975 OF $348.4 MILLION WAS FINANCED BY DECREASE IN BOI FOREIGN EXCHANGE ASSETS OF $473.9 MILLION, DECREASE IN SDR HOLDINGS OF $51.9 MILLION, INCREASE IN BOI SHORT-TERM LIABILITIES OF $0.6 MILLION, DECREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES OF $273.3 MILLION, AND INCREASE IN SHORT-TERM BORROWINGS OF COMMERCIAL BANKS OF $95.3 MILLION.

4. SUMMARY PRELIMINARY BALANCE OF PAYMENTS FOR FIRST SIX MONTHS OF 1975 (PAYMENTS BASIS EXCEPT FOR TRADE ACCOUNT SHOWING CUSTOMS DATA WITH IMPORTS ROUGHLY CONVERTED TO FOB BASIS).

	FIRST HALF 1975 (MILLIONS OF DOLLARS)
EXPORTS	16,691
IMPORTS	17,083
TRADE BALANCE	-392
SERVICES/UN. TRANSFERS/CAPITAL	-271
DEFICIT, ADJUSTED (EXCL. E-MKT)	-663

5. ON JULY 29 FOLLOWING FINANCIAL RATES PREVAILED: LIRA SPOT EXCHANGE RATE WAS 663.725 LIRE PER DOLLAR, THREE-MONTH FORWARD RATE WAS 675.375 LIRE PER DOLLAR, WEIGHTED AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS 20.93 PERCENT COMPARED TO FEBRUARY 9, 1973 BASE PERIOD, BLACK MARKET RATE IN MILAN WAS 702.5 LIRE PER DOLLAR, THREE-MONTH EUROLIRA INTEREST RATE WAS 14 1/4 PERCENT, LIRA INTERBANK FORTY-EIGHT HOUR RATE WAS 10.0 PERCENT, AND LIRA INTERBANK THREE-MONTH RATE LIMITED OFFICIAL USE

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WAS 10.5 PERCENT. VOLPE

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